

## Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 OES-03 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 IGA-01 DODE-00

PM-04 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15 HEW-02

STR-04 FTC-01 /091 W

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P 091240Z SEP 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 4416

C O N F I D E N T I A L KINSHASA 8127

DEPT PASS COMMERCE

E.O. 11652: GDS

TAGS: ECON, EINV, CG

SUBJECT: NATIONALIZATION OF PHARMACEUTICAL SECTOR

REF: KINSHASA 8101

1. SUMMARY: IMPACT OF EFFECTIVE PHARMACEUTICAL IMPORT AND DISTRIBUTION SECTORS NATIONALIZATION BECOMES SOMEWHAT CLEARER AS PRAGMATISM IN IMPLEMENTATION WAXES AND EMOTIONS WAN. MANUFACTURERS MAY CONTINUE PRODUCTION. PROBLEMS SUCH AS MODALITY OF COMPENSATION STILL LOOM IMINOUSLY BUT INDUSTRY REPS EAPPEAR TO BE MORE SANGUINE CONCERNING THEIR OVERALL PROSPECTS. END SUMMARY.

2. ON SATURDAY, SEPTEMBER 6, A MEETING OF AMERICAN PHARMACEUTICAL FIRMS TOOK PLACE UNDER AUSPICES OF THE AMERICAN BUSINESSMAN'S ASSOCIATION. PRESENT WERE REPRESENTATIVES OF BRISTOL-MYER, CYANIMID, PFIZER, SOMEPHAR/PHARISRA AND STERLING. EMBASSY OFFICERS ALSO ATTENDED. ABSENT WERE WARNER-LAMBERT (OUT OF TOWN),  
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COUVREUR (UNALBE TO BE REACHED), ABBOTT, PARKE-DAVIS

AND UPJOHN.

3. AS CONVERSATION LOSSENNED UP AND DISCUSSION BECAME MORE SUBSTANTIVE, SOMEWHAT LESS OMINOUS PICTURE BEGAN TO EMERGE THAN THAT WHICH HAD SYNTHESIZED OUT OF INDIVIDUAL TALKS WITH FIRMS AFFECTED. TO SOME EXTENT THIS MAY BE DUE TO INHIBITING EFFECT OF PRESENCE OF IMMEDIATE COMPETITORS ATTITUDE OF MOST "GERANTS". SOME SPECIFIC:

A) SOME PHAR/PHARISRA REPORTED GETTING CONSIDERABLE SATISFACTION FROM MINHEALTH ON CONTINUED OPERATION OF PHARISRA PRODUCTION FACILITY. GOZ CONFIRMED THAT IT HAD NOT RPT NOT INTENDED TO INTERFERE WITH MANUFACTURING AND PROMISED THAT SECONDED INDUSTRIAL PHARMACIST (PARA 2 REFTEL) WOULD BE RETURNED TO USUAL JOB AS OF MONDAY, SEPT 8. (MONDAY TURNED OUT TO BE UNEXPECTED DAY OF NATIONAL MOURNING FOR DECEASED HIGH-RANKING ARMY OFFICER, SO WE ARE YET UNABLE TO CONFIRM THIS REPORT.) RESIDENT AMERICAN OWNER OF THIS FACILITY UPSET AND THREATENING CONCERNING GOZ ACTIONS (PARA 7 REFTEL) PRIOR TO HIS TALK AT MINHEALTH AND RETURN OF HIS INDUSTRIAL PHARMACIST. IN SHARP CONTRAST TO HIS PREVIOUS MOOD, HE APPEARED CONFIDENT AT SEPT 6 MEETING THAT HIS COMPANY COULD LIVE WITH NEW GOZ REGULATIONS AND CONTINUE IN PRODUCTION.

B) MOST CONCILIATORY APPROACH WAS THAT OF BRISTOL-MYER WHO INDICATED THEY PLACING LARGE PORTION OF STAFF AND EQUIPMENT UNDER AUSPICES OF "SCIENTIFIC REPRESENTATION OFFICE" PERMITTED UNDER GOZ INSTRUCTIONS OF NATIONALIZATION OF PHARMACEUTICAL INDUSTRY (PARA 2 D REFTEL). THEY PLANNING CONTINUE PAY SALARIES PERSONNEL ASSIGNED THAT OFFICE UNTIL DECEMBER 31 IN WAIT-AND-SEE ATTITUDE. PERSONNEL DIRECTLY RELATED TO IMPORTATION AND SALES ONLY OF PRODUCTS BEING CONSIDERED BY BRISTOL-MYER, AS WELL AS BY EVERYONE ELSE, AS NOW FALLING UNDER DCMP. THUS, NONE OF COMPANY REPS PRESENT INDICATED THEY PLAN PAY SALARIES OF SUCH EMPLOYEES AFTER AUGUST 31.

C) ALL IMPORTING FIRMS CONSIDER GOZ ACTIONS TO BE EFFECTIVE NATIONALIZATION OF IMPORT SECTOR. THEY  
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PROCEEDING WITH PREPARATION OF TAKEOVER DOCUMENTATION AS REQUIRED (PARA 2-F REFTEL), BUT ATTEMPTING TO ASSIGN MOST ASSETS OTHER THAN STOCKS TO SCIENTIFIC REPRESENTATION OFFICE. ALL FIRMS WILL PROVIDE EMBASSY WITH COPIES SUCH DOCUMENTS, FROM WHICH WE WILL ATTEMPT SYNTHESIS OF POTENTIAL OVERALL AMERICAN CLAIMS.

D) TO DATE BANK ACCOUNTS IN NAMES OF COMPANIES

HAVE NOT RPT NOT BEEN BLOCKED OR OTHERWISE TAMPERED WITH BY GOZ OR DCMP. ON OTHER HAND, ALL RECEIPTS FROM SALES, WHICH SHOULD RESUME TODAY, SEPTEMBER 9, WILL GO INTO SPECIAL DCMP ACCOUNT (PARAS 3-A 1 AND 2 REFTEL). SOME INDIVIDUAL FIRMS HAVE RECEIVED IMPRESSION FROM GOZ/DCMP THAT MONIES IN THAT ACCOUNT WILL BE USED TO COMPENSATE COMPANIES NATIONALIZED FOR SALES DCMP MAKES OUT OF STOCKS TAKEN OVER, BUT THIS POINT IS NOT CLEAR.

E) AT LEAST ONE FIRM HAD BEEN TOLD THAT IT MIGHT GET PERMISSION TO RE-EXPORT ITEMS IN STOCK WHICH WERE NOT NEEDED OR WANTED BY DCMP. EARLIER INDICATIONS WERE NOT REPEATED THAT IF SUCH RE-EXPORTS WERE PERMITTED THEY WOULD BE SUBJECT TO STIFF EXPORT TAX.

F) SEVERAL COMPANIES INDICATED THAT WHEN NEW "GERANTS" WENT TO DCMP OR MINERALTH FOR CLARIFICATION ON HOW TO PROCEED ON SPECIFIC POINTS OF TAKEOVER, THEY ENCOUNTERED UNEXPECTED FLEXIBILITY AND COOPERATIVE SPIRIT (ALTHOUGH NO BACK-PEDALING ON BASIC PRINCIPLE OF TAKE OVER.

4. ON OTHER SIDE OF COIN, STERLING, WHICH HAS MORE TO BARGAIN WITH THAN OTHERS DUE GOZ INTEREST IN HAVING THEM TAKE MANAGEMENT CONTRACT UNDER DCMP, SHOWS SIGNS OF HARDENING STANCE. LOCAL REP INDICATED THEY WOULD SUBMIT PROPOSAL THIS WEEK ON TAKE-IT-OR-LEAVE-IT BASIS. STERLING HOME OFFICE REP WAS EXPECTED IN KINSHASA SEPT 8 BUT DID NOT ARRIVE. WE HAVE NOT YET BEEN CONTACTED BY STERLING RE OVERALL ATTITUDE AND NATURE OF PROPOSAL TO BE SUBMITTED.

5. WE UNDERSTAND FROM OTHERS THAT WARNER-LAMBERT PLANT  
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STILL PRODUCING, USING RAW MATERIALS ALREADY ON HAND. AS RESPONSIBLE WARNER-LAMBERT INDIVIDUALS STILL OUT OF TOWN, WE REMAIN UNINFORMED ON BASIC WARNER-LAMBERT THINKING ON OVERALL NATIONALIZATION, AS WELL AS ON POSSIBLE NEGOTIATION OF THEIR REJECTED DCMP MANAGEMENT CONTRACT OFFER.

6 SATURDAY CONFERENCE BROUGHT UP ONLY ONE DISSENTING VOICE (BRISTOL-MYER) TO EMBASSY'S ANALYSIS OF ZAIRE'S PHARMACEUTICAL SUPPLY AND DISTRIBUTION PROBLEMS (PARA 5 REFTEL). WE STILL EXPECT SERIOUS DISLOCATIONS AND SO DID ALL COMPANIES PRESENT OTHER THAN BRISTOL-MYER.

7 CONTRARY TO EARLIER AND EARLY CATEGORIC INDICATION THAT TAKEOVER WOULD INCLUDE VETERINARY PRODUCTS, WE

LEARNED AT SATURDAY MEETING THAT GOZ WILL PROBABLY  
DESIGNATE TEN OR TWELVE FIRMS WELL AND FAVORABLY KNOWN  
TO IT TO CONTINUE IMPORTING SUCH ITEMS DIRECTLY AND FOR  
THEIR OWN ACCOUNTS.

8. IN RESPONSE TO US COMPANIE'S REQUESTS, EMBASSY  
SAID IT WILLING TO APPROACH GOZ ON QUESTION OF MODALITIES  
OF COMPENSATION AFTER COMPANIES HAVE PREPARED THEIR  
TAKEOVER DOCUEMENTS AND WE HAVE CHANCE TO ASSESS OVERALL  
IMPACT.  
WALKER

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